

JK Lakshmipat University Jaipur
INSTITUTE OF MANAGEMENT

End Term Examination, December 2025

BBA, Semester IV, 2023-26

Backlog

Roll No.....

FA1103: Financial Management

Time: 2 hours

Max. Marks: 40

Instructions to students:

1. Do not write anything other than your roll number on question paper.
2. Students are allowed to use non-scientific calculators.

Answer any 5 questions from the given below of 8 marks each.

Q1. You have come across the following investment opportunity: Rs. 2000 at the end of each year for the first 5 year plus Rs. 3000 at the end of each year from years 6 through 9 plus Rs. 5000 at the end of each year from year 10 through 15.

a. How much will you be willing to pay for this investment if you are required rate of return is 14 percent?

b. What will be your answer if payments are received at the beginning of each year? (Lo1)

Q2. You buy a house for Rs. 5 lakh and immediately make cash payment of Rs. 1 lakh. You finance the balance amount at 12 percent for 20 years with equal annual instalments. How much are the annual instalments? How much of each payment goes towards reducing the principal? Prepare a loan amortization table. (Lo2)

Q3. Tudor Ltd is thinking of purchasing of AC truck. Two models shown in table below-

	Model-I	Model-II
Cost of the Truck	40,00,000	50,00,000
Annual operating cost	20,00,000	22,00,000
Life	4 years	6 years

Which model should be acquired if the minimum rate of return is 13 percent? Lo3)

Q4. Company X is considering a project which will cost Rs. 60,000. Estimated profits of the company in 6 years are as follows: 10,000, 12,000, 15,000, 18,000, 20,000 and 22,000. Compute the NPV and IRR of the project.(Lo2)

Q5. AB Ltd needs Rs. 10 lakhs for expansion. The expansion is expected to yield an annual EBIT of Rs. 1,60,000. In choosing a financial plan, AB Ltd. has an objective of maximizing earnings per share. It is considering the possibility of issuing equity shares and raising debt of Rs. 1,00,000, or Rs. 4,00,000 or Rs.6,00,000. The current market price per share is Rs. 25 and is expected to drop to Rs. 20 if the funds are borrowed in excess of Rs. 5,00,000. Funds can be borrowed at the rates indicated below: (a) up to Rs. 1,00,000 at 8%, (b) over Rs. 1,00,000 up to Rs. 5,00,000 at 12%; (C) over Rs. 5,00,000 at 18%.

Assume a tax rate of 50%. Determine the EPS for the three financing alternatives and comment. (Lo4)

Q6. . The following information has been extracted from the balance sheet of Fashion Ltd.

Particulars	Rs. In Lacs
Equity Share Capital	400
12% Debentures	400
18% Term Loan	1200
	2000

Determine the weighted average cost of capital of the company. It had been paying dividends at a consistent rate of 20% per annum. Shares and Debentures are being traded at par. Tax rate is 40%.(Lo5)

all the best!